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TENNESSEE PROPOSAL

PRESENTED BY THE TENNESSEE DEPARTMENT OF
Economic and Community Development

November 17, 2010



TENNESSEE UPDATED PROPOSAL

PRESENTED BY THE TENNESSEE DEPARTMENT OF
Economic and Community Development



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TENNESSEE PROPOSAL

Electrolux is a global leader in household and professional appliances, selling more than 40 million products to customers in more than 150 markets every year. Electrolux focuses on innovations that are thoughtfully designed, based on extensive consumer insight, to meet the real needs of consumers and professionals.

The enclosed proposal is an update and revision to the October 19, 2010 TN proposal. Details of the project are outlined below.

- Relocation of facility to meet current competitive cost structure
- Campus Requirements
 - Manufacturing Facility Requirements ~ 750,000 ft²
 - Warehouse Facility Requirements ~ 145,000 ft²
 - Bi-level Office Requirements ~ 65,000 ft²
 - Potential Tier 1 & Tier 2 Supplier Park Requirements ~ 2,400,000 ft²
 - Potential Expansion Needs ~ 1,320,000 ft²
 - Raw Land Requirements ~ 21,780,000 ft²
- Phase 1 Electrolux Employment Requirements
 - Exempt Headcount ~ 140
 - Hourly Headcount ~ 1100
- Several SE States Under Consideration
- Payroll Impact ~ \$55 M/Yr
- Other Operation Costs ~ \$32 M/Yr
- Product Material Purchases ~ \$350 M/Yr
- Total Electrolux Capital Investment ~ \$190 M
 - Electrolux M&E Capital Investment ~ \$70 M
 - Electrolux Facility Investment ~ \$70 M
 - Tooling Placed At Suppliers ~ \$40 M
 - Product Development ~ \$10 M
- Project Initiation Headcount ~ 1,500 for Period of 1 Yr
- Electrolux and Supplier Headcount ~ 3,500

The State of Tennessee is submitting incentive and site information for the Frank Pidgeon Industrial Park in Memphis.

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TENNESSEE PROPOSAL

- **INITIAL RECRUITMENT AND APPLICANT SCREENING:**
The Tennessee Department of Labor and Workforce Development will coordinate its programs and services through the Tennessee Career Center System. They will provide initial paper or electronic screening of all applicants to eliminate those candidates that do not meet the basic requirements of Project Journey. Services available through utilization of the Career Center would represent a value added through cost avoidance.
- **ON-THE-JOB TRAINING:**
As the administrator of the Local Workforce Investment Act, the Local Workforce Investment Area (LWIA) may be able to provide on-the-job training (OJT) for qualified workers by reimbursement of up to 50 percent of trainee wages during their training period.

COMMITMENT

**TENNESSEE CAREER CENTER SERVICES:
IN EXCESS OF \$850,000**

**ON-THE-JOB TRAINING:
\$150,000**

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TENNESSEE PROPOSAL

FastTrack Job Training

- The State is committed to provide training assistance for the creation of new production and headquarters related positions. We can support your training needs, assist in developing a customized training program, and help offset instructional expenses.
- The Tennessee FastTrack Job Training Assistance Program, administered by the Tennessee Department of Economic & Community Development, commits to provide training assistance valued at up to \$3,100,000 for 1,240 new full-time positions, at \$2,500 per position, in Tennessee.

COMMITMENT

**FASTTRACK JOB TRAINING:
\$3,100,000**

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TENNESSEE PROPOSAL

Infrastructure - Frank Pidgeon Industrial Park

The State of Tennessee is committed to providing the necessary infrastructure to support Electrolux and its suppliers at the Frank Pidgeon Industrial Park. The Frank Pidgeon Industrial Park has much of the required infrastructure already in place at the site. The State of Tennessee commits up to \$5,000,000 of infrastructure assistance to address additional infrastructure requirements of the project.

COMMITMENT

**INFRASTRUCTURE:
UP TO \$5,000,000**

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TENNESSEE PROPOSAL

Assistance Grant

The State of Tennessee, the City of Memphis and Shelby County will provide \$130,000,000 in assistance for Project Journey. As we have done with similar projects of this size and scope, such as Volkswagen North America and Hemlock Semiconductor, we will work with Project Journey to identify cost items to which this commitment may be applied.

COMMITMENT

**ASSISTANCE GRANT:
\$130,000,000**

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TENNESSEE PROPOSAL

State Taxes in Tennessee

The State of Tennessee has one of the lowest tax burdens in the United States. There is no personal income tax or state property tax. There are three taxes generally applicable to a company that is doing business in Tennessee: franchise tax, excise tax and sales and use tax. The franchise tax and excise tax are taxes imposed on the privilege of doing business in Tennessee and are two separate taxes that are filed on one return.

The franchise tax is a tax on the greater of apportioned net worth in Tennessee or book value of real and tangible personal property owned or used in Tennessee. The franchise tax rate is 25 cents per \$100 or .0025%.

- For taxpayers operating a manufacturing, warehouse or distribution facility, finished goods inventory in excess of \$30,000,000 may be excluded from franchise tax base.
- Pollution control equipment is exempt from franchise tax base.
- Property under construction and not being utilized is not included in franchise tax base.
- Property rented from the industrial development corporation may be valued by capitalizing it on the books.

The excise tax is a tax on the net earnings of a company derived from the business in Tennessee. The excise tax rate is 6.5%.

- The excise tax is based on the net earnings of the company derived from business in Tennessee as determined by a three factor apportionment formula of property, payroll and sales with sales double-weighted.
- Tennessee does not have a throwback provision – thus the state does not require companies with sales outside of Tennessee that are not apportioned to or taxed by another state to be included in the numerator of sales in Tennessee.
- All capital losses claimed in the year incurred.
- Net operating losses can be carried forward for 15 years.

The state sales and use tax rate is 7%. The local option sales tax rate varies by county and ranges from 1.5% to 2.75%.

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TENNESSEE PROPOSAL

State Tax Incentives for Project Journey

The state tax incentives available are based on a number of factors including the type of business enterprise involved, the capital investment and the number and type of jobs created. Credits against the company's franchise tax, excise tax and sales and use tax liability are based on the actual capital investment and jobs created during the investment period and are tied to the requisite business plans.

If Project Journey locates in Tennessee, the project will include the establishment of manufacturing, warehouse and office operations. Based on the information provided by Project Journey including the capital investment, the number and types of jobs being created and description of the project, a portion of the facility will house "headquarters staff employees" and "headquarters related functions" necessary to qualify that portion of the facility, separate from manufacturing functions, as a headquarters facility eligible for a suite of enhanced incentives only available to "qualified headquarters facilities."

The tax incentives available to Project Journey based on current projections are set forth herein. The Department of Revenue is committed to work with Project Journey to ensure the maximum benefit of any and all available incentives.

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TENNESSEE PROPOSAL

Super Job Tax Credits for Average Occupational Wage Jobs

Tennessee currently provides a Super Job Tax Credit ("Super Credit") for taxpayers that locate or expand a qualified business enterprise in Tennessee by making a capital investment of at least \$100,000,000 and creating 100 or more new full-time jobs paying at least 100% of the state's average occupational wage. The average occupational wage for jobs created in 2010 is \$36,542 and for jobs created in 2011 it is \$37,360.

"Capital investment" means a business investment in real property, tangible personal property, or computer software owned or leased in Tennessee valued in accordance with generally accepted accounting principles. The super credit investment period is three (3) years, but can be expanded to five (5) years with the approval of the Commissioner of ECD.

By qualifying for the Super Credit, the taxpayer will be entitled to a \$5,000 per job annual credit for each qualified job to offset up to 100% the company's franchise and excise tax liability each year for a period of three (3) to twenty (20) with no carry forward. The number of years for the annual credit depends on the level of investment as follows:

Capital Investment	Number of Net New Occupational Wage Jobs	Number of Years for Annual Credit
\$100,000,000 or more	100	3
\$250,000,000 or more	250	6
\$500,000,000 or more	500	12
\$1 billion or more	500	20

It is our understanding that Project Journey will invest approximately \$190,000,000 and create 1,240 new full-time jobs in its manufacturing, warehouse and headquarters operations. Assuming all 1,240 jobs pay at least 100% of the state's average occupational wage, Project Journey will qualify for the Super Credit of \$5,000 per job or \$6,200,000 annually that may be used to offset up to 100% of the taxpayer's total franchise and excise tax liability each year for three (3) years beginning with the first tax year after the investment is made and jobs created for a total Super Credit of \$18,600,000.

COMMITMENT

**TOTAL VALUE OF ANNUAL SUPER CREDIT OVER THREE YEARS
FOR 1,240 QUALIFIED JOBS:
\$18,600,000**

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TENNESSEE PROPOSAL

Franchise Tax Savings

By qualifying for the Super Credit, as set forth previously, Project Journey will qualify for franchise tax savings not otherwise available to taxpayers. In addition to the jobs portion of the credit, a taxpayer that qualifies for the Super Credit may exclude two-thirds of its investment from the property measure of the taxpayer's Tennessee franchise tax base each year the taxpayer claims the annual Super Credit.

If Project Journey invests \$190,000,000 in real and tangible personal property in Tennessee, the taxpayer may exclude approximately \$127,000,000 of its capital investment from the property measure resulting in a savings of approximately \$317,000 each year during the three (3) years of the Super Credit for a total savings of \$951,000.

COMMITMENT

ESTIMATED TOTAL FRANCHISE TAX SAVINGS OVER THREE YEARS:
\$951,000

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TENNESSEE PROPOSAL

Job Tax Credit for Super Credit Projects

As an additional benefit of the Super Credit, Project Journey will also receive a one time regular Job Tax Credit equal to \$5,000 for each new full-time occupational wage job created in Tennessee during the investment period. The Job Tax Credit can offset up to 50% of the client's total franchise and excise tax liability. Unlike the Super Credit, any unused Job Tax Credit may be carried forward for up to fifteen (15) years. The approval process requires that a business plan be filed with the Department of Revenue prior to taking the credit.

If Project Journey qualifies for the Super Credit and creates 1,240 new full-time occupational wage jobs in Tennessee the taxpayer may claim the Job Tax Credit of \$5,000 per job for a total Job Tax Credit of \$6,200,000 with a fifteen (15) year carry forward.

COMMITMENT

**VALUE OF ONE TIME JOB TAX CREDIT FOR 1,240 QUALIFIED JOBS:
\$6,200,000**

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TENNESSEE PROPOSAL

Enhanced Industrial Machinery Credit

Tennessee currently offers qualified businesses an Industrial Machinery Credit of 1% to 10% of qualified industrial machinery as defined in Tenn. Code Ann. § 67-6-102(47). Qualified industrial machinery includes processing equipment used by manufacturers purchased anytime, as well as material handling and racking systems used directly and primarily for the storage or handling and movement of tangible personal property in a “qualified warehouse or distribution facility” that are purchased beginning one (1) year prior to the start of the construction or expansion and ending one (1) year after the substantial completion of the construction or expansion of the facility, but in no event shall the period exceed three (3) years.

Under Tennessee law, a warehouse and distribution facility is a “qualified warehouse or distribution facility” if the company makes a capital investment in excess of \$10,000,000 over a period of no more than three (3) years in a newly constructed or expansion of an existing warehousing or distribution facility and/or the purchase of equipment for the facility. The investment does not include land, lease payments or inventory.

Based on current projections it appears that a portion of Project Journey will qualify as a manufacturing facility and a portion of Project Journey may meet the minimum \$10,000,000 capital investment threshold for a qualified warehouse and distribution facility necessary for material handling and racking systems to qualify as industrial machinery. In addition, industrial machinery is also defined to include computer equipment and software, including peripheral devices such as printers, external drives, modems and telephone units purchased by a taxpayer in making the capital investment for the Job Tax Credit.

The Industrial Machinery Credit can be used to offset up to 50% of the total franchise and excise tax liability. Any unused credit may be carried forward for up to fifteen (15) years. The percentage of credit is based on the amount of investment as follows:

Capital Investment	Percentage of Credit
Less than \$100,000,000	1%
\$100,000,000	3%
\$250,000,000	5%
\$500,000,000	7%
\$1,000,000,000	10%

Based on information provided by Project Journey the company will purchase approximately \$110,000,000 of industrial machinery for the Tennessee facility and will qualify for the Industrial Machinery Credit of 3%. Based on these projections, the value of the Industrial Machinery Credit is approximately \$3,300,000.

COMMITMENT
ENHANCED INDUSTRIAL MACHINERY CREDIT:
\$3,300,000

(Contingent on Actual Purchases of Qualified Equipment)

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TENNESSEE PROPOSAL

Sales & Uses Tax Savings

The purchase or transfer of qualified industrial machinery is exempt from sales and use tax. The exemption covers the Tennessee state sales tax of 7.0%. The exemption also covers the local option rate of 2.25% in Memphis/Shelby County. To qualify for this exemption for material handling and racking systems, a taxpayer must make the minimum capital investment of \$10,000,000 in the warehouse facility and/or material handling and racking equipment and submit an application with a plan describing the investment to be made with the Department of Revenue.

There is no sales tax on pollution control equipment or and on the raw materials used in the process for manufacturers. Qualifying industrial supplies may also be purchased sales tax exempt.

Tennessee offers a reduced sales tax rate of 1.5% for a manufacturer's use of energy fuels and water instead of the 7% regular rate. These utilities may be purchased tax-exempt if used directly in Project Journey's manufacturing process and separately metered.

For example, if Project Journey meets the minimum requirements for a qualified warehouse facility and purchases a total of \$110,000,000 in qualified industrial machinery, the value of the sales and use tax exemption would be at least \$10,175,000.

COMMITMENT
SALES & USE TAX SAVINGS:
\$10,175,000

(Contingent on Actual Purchases of Qualified Equipment)

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TENNESSEE PROPOSAL

Qualified Headquarters Relocation Expense Credit

Companies that locate or expand a regional, national or international headquarters in Tennessee by making a minimum capital investment of \$10,000,000 and creating 100 new headquarters jobs paying 150% of the state's average occupational wage are eligible for a suite of enhanced incentives available only to "qualified headquarters" facilities including the "headquarters relocation credit." The average occupational wage for jobs created in 2010 is \$36,542 and 150% is \$54,813. The average occupational wage for jobs created in 2011 is \$37,360 and 150% is \$56,040.

Based on information provided, Project Journey will create approximately 140 headquarters jobs and thus, a portion of the project will include a qualified headquarters facility. By establishing a qualified headquarters facility in Tennessee the taxpayer will be eligible for a credit against its franchise and excise tax liability equal to any actual qualified headquarters relocation expenses incurred during the investment period. The total budget for the Relocation Expense Credit is determined and calculated by the number of existing headquarters positions paying 150% of the average occupational wage that are relocated to Tennessee as follows:

Qualified HQ Positions Relocated to TN	Relocation Credit Per Qualified Position
100 – 249	\$10,000
250 – 499	\$20,000
500 – 749	\$30,000
750 or more	\$40,000

Qualified Headquarters Relocation Expense Credits are limited to the qualified expenses actually incurred. Any amount allowed as a Relocation Expense Credit that exceeds the company's franchise and excise tax liability will be refunded as an overpayment. For purposes of the Relocation Expense Credit, "qualified headquarters facility relocation expenses" are those expenses that both the Commissioner of Revenue and the Commissioner of ECD determine, in their sole discretion, are necessary to relocate headquarters staff employees to the headquarters facility in conjunction with the establishment of the facility.

Based on the information provided and assuming the relocation of 140 qualified headquarters positions to Tennessee, Project Journey would be eligible for Relocation Expense Credits of \$10,000 per position or a total refundable tax credit of \$1,400,000.

COMMITMENT

**VALUE OF RELOCATION CREDITS FOR 140 QUALIFIED HEADQUARTERS POSITIONS:
\$1,400,000**

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TENNESSEE PROPOSAL

Sales and Use Tax Credit for Qualified Headquarters Facilities

A qualified headquarters facility locating in Tennessee shall also be eligible for a credit of 6.5% of the 7% state sales and use tax paid to the state of Tennessee, on the sale or use of qualified tangible personal property. For purposes of the Sales and Use Tax Credit, "qualified tangible personal property" means building materials, machinery, equipment, software, furniture, and fixtures used exclusively in the qualified headquarters facility and purchased or leased during the investment period.

For example, if Project Journey locates a qualified headquarters facility in Tennessee and purchases \$10,000,000 in qualified tangible person property for its headquarters facility in Tennessee, the credit would be \$650,000.

COMMITMENT

VALUE OF SALES & USE TAX CREDIT FOR QUALIFIED HEADQUARTERS FACILITY:

\$650,000

(Contingent on Qualification and Actual Purchases)

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TENNESSEE PROPOSAL

Tennessee Valley Authority

As a potential employer in the Tennessee Valley, your company may be eligible for several programs that can benefit your company's operations, electric service, operating costs and bottom line. Potential benefits from the programs are based upon the project assumptions and are as follows:

PROJECT CRITERIA AND ASSUMPTIONS

- Location(s) Considered: Shelby County, TN (Pigeon Industrial Park)
- New, full time jobs: 1,240 new jobs
- Capital investment: \$190 million
- Average wage: \$41,000
- Electrical demand (kW): 12 MW
- Electrical usage (kWh): 68,328,000 kWh/annually

POWER RATES AND RELIABILITY

TVA and the distributors of TVA power are known for excellent reliability and competitively priced electric rates. Our well-diversified system of fossil, nuclear, hydro, and renewable energy sources keeps power flowing through more than 17,000 miles of transmission line over 9 million residents in an 80,000-square-mile area.

Rates

TVA and its distributor customers offer some of the lowest electricity rates in the nation, complemented by attractive pricing programs and rate credits. Our rates fall well below the national averages as these percentages show (2008 Energy Information Administration data):

- Industrial rates: 19% lower
- Commercial rates: 10% lower
- Residential rates: 21% lower

Reliability

While keeping rates competitive, TVA has maintained its world-class transmission reliability. In fact, TVA has achieved 99.999% reliability for nine years in a row, beginning in 2000.

The TVA transmission system is one of the largest in North America. TVA's transmission system has interconnections with 13 neighboring electric systems, and delivered more than 176 billion kilowatt-hours of electricity to its customers in 2008.

TVA has also achieved outstanding performance in two key reliability factors: Customer Connection Point Interruptions, in which TVA achieved the best rate in its history, and load not served, a measure of the frequency and magnitude of outages. This is not unusual for TVA, a power provider that the North American Electric Reliability Corporation has characterized as having a culture of reliability.

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TENNESSEE PROPOSAL

The Valley Advantage

Through the Valley Advantage initiative, TVA makes direct cash investments in major economic development projects in the Tennessee Valley. Valley Advantage funding is paid directly to the company and it may be used in a variety of ways including public or private infrastructure development, the purchase of fixed assets, energy efficiency or other purposes. Funding amounts are based upon the economic impact of the project within the first three years, as measured by the capital investment, number of jobs created, wages average and load factor. The program will only be used for projects determined to be environmentally sound. The program's minimum requirements are listed below:

- Capital investment: \$20 million
- Employment: 100 new jobs
- Load factor: 65%
- Wages 10% above the local average

**COMMITMENT
VALLEY ADVANTAGE:
\$450,000**

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TENNESSEE PROPOSAL

Valley Investment Initiative (VII)

The Valley Investment Initiative for Existing Customers (VII-E) is an economic development incentive program jointly offered by TVA and participating distributors of TVA power. VII-E offers financial incentives to existing power customers who contribute to the economic development of the seven-state Tennessee Valley region and complement TVA's power system resources.

Award amounts are based on a customer's industry multiplier as well as five-year projections and actual performance in the following categories:

- Capital investment as a percentage of facility book value
- Energy efficiency improvements
- Jobs added or retained
- Average wages paid
- Load factor and coincident load factor

VII-E awards are subject to the availability of budgeted funds and will be paid as monthly power bill credits over a five-year period.

**COMMITMENT
VALLEY INVESTMENT INITIATIVE:
\$2,578,000**

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TENNESSEE PROPOSAL

Electrical Infrastructure Improvements

The Tennessee Valley Authority will commit \$1,500,000 for electrical infrastructure improvements for the Electrolux project.

COMMITMENT
ELECTRICAL INFRASTRUCTURE IMPROVEMENTS:
\$1,500,000

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TENNESSEE PROPOSAL

Economic Development Loan Fund (EDLF)

The EDLF provides loans to established companies relocating or expanding their operations in the Tennessee Valley. Funds may be used for building expansions, equipment, and other purposes and are offered with flexible terms and rates. Loan amounts, terms and interest rates are dependent upon criteria such as number of jobs created, total capital investment, security provided, and impact on the community. All loans are subject to a financial and eligibility review. Based on the preliminary project criteria, this project could qualify for up to \$2 million.

- Loan amounts are determined based upon job growth and project needs.
- Interest rates vary by project, but are typically below the prime lending rate.
- Loan terms for equipment loans may be up to 5 years, while building and real estate loans may be up to 15 years.
- Leveraging other funds is TVA's role as a lender, and we are seeking to leverage \$3 to every \$1 invested through the EDLF program.

**COMMITMENT
EDLF LOAN:
UP TO \$2,000,000**

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TENNESSEE PROPOSAL

Consulting And Technical Services

Comprehensive Services Program

Through the Comprehensive Services Program, TVA and our local power distributors offer a wide variety of program services designed to help companies identify energy solutions that generate savings and increase profit. These programs are typically available at little or no cost. Such services include; identifying energy efficiency improvements for buildings and equipment, recommending energy-efficient construction guidelines, power quality monitoring and recommendations, providing lighting analyses and recommendations, analyzing energy management systems, consulting on HVAC systems and technologies, infrared and ultrasonic testing services, and many others.

Engineering and Design Services

TVA's team of professional engineers and designers can help companies make better decisions, yielding time and money savings, by providing preliminary site evaluations and layouts as well as conceptual building designs and models.

Economic Analysis and Market Research

TVA can provide a wealth of economic, demographic, and industry data, along with associated analyses, to support local and regional economic development efforts.

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TENNESSEE PROPOSAL

City of Memphis & Shelby County Commitment

Companies offering a large number of new jobs with higher wages and large capital investment may qualify for property tax reduction or abatement on both real and personal property taxes. These requests are negotiated with prospective or existing companies on a case-by-case basis.

The City of Memphis and Shelby county are excited about the possibility of bringing this important project to Pidgeon Industrial Park in Memphis. In response, our community is willing to make 800 acres of land, adjacent to Intermodal Gateway Memphis, a joint rail intermodal facility jointly operated by the CN and CSX railroads. This prime location has all the utility capacity near or on site with access to rail, river and interstate. The value of this site is estimated at approximately \$16,000,000.

In addition, our community would offer a 15 reduction in property taxes that reduces our county personal and real property taxes by 75% and your city personal and real property taxes by 90%. The final value of this incentive will be determined by the value of real and personal property taxes installed in the community.

Our community will work with the State Department of Economic and Community Development, the City of Memphis and Memphis Light, Gas and Water to ensure that all utilities are available to Project Journey at no cost.

The City of Memphis and Shelby County will provide temporary office space during the construction period for up to 25 people at no cost.

COMMITMENT
CITY OF MEMPHIS & SHELBY COUNTY:
\$16,000,000

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TENNESSEE PROPOSAL

Tennessee Commitment:	\$180,376,000
Tennessee Career Center Services:	\$ 850,000
On-the-Job Training:	\$ 150,000
FastTrack Job Training:	\$ 3,100,000
FastTrack Infrastructure:	\$ 5,000,000
Assistance Grant (State & Memphis):	\$130,000,000
Super Job Tax Credit:	\$ 18,600,000
Franchise Tax Savings:	\$ 951,000
Job Tax Credit for Super Credit Projects:	\$ 6,200,000
Enhanced Industrial Machinery Credit:	\$ 3,300,000
Sales & Use Tax Savings:	\$ 10,175,000
Headquarters Relocation Expense Credit:	\$ 1,400,000
Sales & Use Tax Credit for Headquarters:	\$ 650,000
 Tennessee Valley Authority:	 \$ 4,528,000
Valley Advantage:	\$ 450,000
Valley Investment Initiative:	\$ 2,578,000
Electrical Infrastructure Improvements:	\$ 1,500,000
 City of Memphis & Shelby County Commitment:	 \$16,000,000

Total Commitment (Frank Pidgeon Park)
\$200,904,000

*Incentives contained herein are estimates based on information provided by the client. Actual incentives are based on a number of factors including the type of business enterprise involved, location of the facility, capital investment and number and types of jobs created in the state.

**This proposal is valid for 120 days.



Tennessee Valley Authority, Post Office Box 292409, Nashville, Tennessee 37229-2409

John J. Bradley
Senior Vice President, Economic Development

October 14, 2010

Commissioner Matt Kisber
Tennessee Department of Economic
and Community Development
312 Rosa L. Parks Avenue, 11th Floor
Nashville, Tennessee 37243-1102

Dear Commissioner Kisber:

The Tennessee Valley Authority (TVA) is pleased that Project Journey is considering our area as a location for a new manufacturing facility. We look forward to working with you (State of Tennessee), area power distributors, and the communities to support the project.

As indicated in the enclosed description of TVA's Economic Development assistance programs, we are committed to providing competitive rates, favorable incentives, and innovative solutions to support the project. Because several TVA communities may be considered for the project, this initial proposal provides a general description of incentives for which the project may qualify. TVA will be in a position to provide more detailed information as specific locations and project details become available.

Sincerely,

A handwritten signature in cursive script that reads "John J. Bradley".

John J. Bradley

Enclosures: Electric Utility Benefits and Valley Investment Initiative Preliminary Evaluation
cc (enclosures):

Mr. Kingsley Brock
Administrator of Business Development
Tennessee Department of Economic
and Community Development
312 Rosa L. Parks Avenue, 11th Floor
Nashville, Tennessee 37243-1102

Mr. Paul LaGrange
Deputy Director
Tennessee Department of Economic
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Mr. Mark Herbison
Senior Vice President, Economic Development
Greater Memphis Chamber
Post Office Box 224
Memphis, Tennessee 38101-0224

Mr. Kyle Spurgeon
President and Chief Executive Officer
Jackson Area Chamber of Commerce
Post Office Box 1904
Jackson, Tennessee 38302

ELECTRIC UTILITY BENEFITS FOR PROJECT JOURNEY IN THE TENNESSEE VALLEY

As a potential employer in the Tennessee Valley, your company may be eligible for several programs that can benefit your company's operations, electric service, operating costs and bottom line. Potential benefits from the programs are based upon the project assumptions and are as follows:

PROJECT CRITERIA AND ASSUMPTIONS

- Location(s) Considered: Shelby County, TN (Pigeon Industrial Park)
Haywood County, TN (West TN Mega-Site)
- New, full time jobs: 1,240 new jobs
- Capital investment: \$190 million
- Average wage: \$41,000
- Electrical demand (kW): 12 MW
- Electrical usage (kWh): 68,328,000 kWh/annually

POWER RATES AND RELIABILITY

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TVA has also achieved outstanding performance in two key reliability factors: Customer Connection Point Interruptions, in which TVA achieved the best rate in its history, and load not served, a measure of the frequency and magnitude of outages. This is not unusual for TVA, a power provider that the North American Electric Reliability Corporation has characterized as having a culture of reliability.

These rates and programs are available as of 10/15/10.

ELECTRIC UTILITY BENEFITS FOR PROJECT JOURNEY IN THE TENNESSEE VALLEY

THE VALLEY ADVANTAGE

Through the Valley Advantage initiative, TVA makes direct cash investments in major economic development projects in the Tennessee Valley. Valley Advantage funding is paid directly to the company and it may be used in a variety of ways including public or private infrastructure development, the purchase of fixed assets, energy efficiency or other purposes. Funding amounts are based upon the economic impact of the project within the first three years, as measured by the capital investment, number of jobs created, wages average and load factor. The program will only be used for projects determined to be environmentally sound. The program's minimum requirements are listed below:

- Capital investment: \$20 million
- Employment: 100 new jobs
- Load factor: 65%
- Wages 10% above the local average

VALLEY INVESTMENT INITIATIVE (VII)

The Valley Investment Initiative for Existing Customers (VII-E) is an economic development incentive program jointly offered by TVA and participating distributors of TVA power. VII-E offers financial incentives to existing power customers who contribute to the economic development of the seven-state Tennessee Valley region and complement TVA's power system resources

Award amounts are based on a customer's industry multiplier as well as five-year projections and actual performance in the following categories:

- Capital investment as a percentage of facility book value
- Energy efficiency improvements
- Jobs added or retained
- Average wages paid
- Load factor and coincident load factor

VII-E awards are subject to the availability of budgeted funds and will be paid as monthly power bill credits over a five-year period.

ECONOMIC DEVELOPMENT LOAN FUNDS (EDLF)

The EDLF provides loans to established companies relocating or expanding their operations in the Tennessee Valley. Funds may be used for building expansions, equipment, and other purposes and are offered with flexible terms and rates. Loan amounts, terms and interest rates are dependent upon criteria such as number of jobs created, total capital investment, security provided, and impact on the community. All loans are subject to a financial and eligibility review. Based on the preliminary project criteria, this project could qualify for up to **\$2 million**.

- Loan amounts are determined based upon job growth and project needs.
- Interest rates vary by project, but are typically below the prime lending rate.
- Loan terms for equipment loans may be up to 5 years, while building and real estate loans may be up to 15 years.
- Leveraging other funds is TVA's role as a lender, and we are seeking to leverage \$3 to every \$1 invested through the EDLF program.

These rates and programs are available as of 10/15/10.

ELECTRIC UTILITY BENEFITS FOR PROJECT JOURNEY IN THE TENNESSEE VALLEY

CONSULTING AND TECHNICAL SERVICES

Comprehensive Services Program

Through the Comprehensive Services Program, TVA and our local power distributors offer a wide variety of program services designed to help companies identify energy solutions that generate savings and increase profit. These programs are typically available at little or no cost. Such services include; identifying energy efficiency improvements for buildings and equipment, recommending energy-efficient construction guidelines, power quality monitoring and recommendations, providing lighting analyses and recommendations, analyzing energy management systems, consulting on HVAC systems and technologies, infrared and ultrasonic testing services, and many others.

Engineering and Design Services

TVA's team of professional engineers and designers can help companies make better decisions, yielding time and money savings, by providing preliminary site evaluations and layouts as well as conceptual building designs and models.

Economic Analysis and Market Research

TVA can provide a wealth of economic, demographic, and industry data, along with associated analyses, to support local and regional economic development efforts.

THE BOTTOM LINE

If Project Journey were to add a minimum of **12 MW** of new firm power in addition to fulfilling the necessary criteria for TVA's Economic Development programs, the potential cash incentives may reach **\$4.528 million** over the lifespan of the programs (Five Year Benefit). This does not include the considerable value that may be attained from energy services/consulting, low interest loans, minimal outage times, and low electrical rates.

Program	5-year Benefit
Valley Advantage (Amount Applied Year 1)	\$450,000
Valley Investment Initiative (Amount Applied over Years 1–5)	\$2,578,000
Electrical Infrastructure Improvements (Amount Applied Year 1)	\$1,500,000
Total Grant Incentive	\$4,528,000

The potential benefits offered by TVA in this proposal are based upon project assumptions including but not limited to: location, load, jobs, investments, and average wages. In order to pursue program advantages outlined, financial, environmental, and other review qualifications must be met and the offer must be accepted and a contract executed within one year of the date of this proposal.

These rates and programs are available as of 10/15/10.

Valley Investment Initiative

Preliminary Evaluation

- The Valley Investment Initiative (VII) is an economic development incentive jointly offered by TVA and distributors of TVA power. VII rewards end-use power customers in targeted business sectors who make a five-year commitment to the economic development of the Valley.
- Customers with electrical demand greater than 250 kW, at least 25 employees, a qualifying North American Industry Classification System (NAICS) code, and who make a minimum capital investment may be eligible for a VII award.
- VII awards are customer-specific, depending on a customer's five-year projections in a number of economic and power system categories.
- VII awards are paid as monthly power bill credits over a five-year period.

The following **assumptions** and information provided by Project Journey, yield a potential five-year VII award of

\$2,320,000 to \$2,578,000.

VII DATA, PROJECTIONS, AND ASSUMPTIONS

Economic	
Facility NAICS code (at least 3 digits)	335228
Capital Investment (including appraised value of real estate and existing building, if any)	\$190,000,000
Number of Full-Time Equivalent Employees	1,240
Average Annual Wage for all FTE's (excluding benefits)	\$41,000
Power	
Average Monthly Demand	12,000 kW
Highest Annual Metered Demand	15,000 kW
Customer's average usage during Peak Hours* is _____ the average of all hours. (*July-Aug., M-F, 1-7 PM CDT.)	10% more than
Total Annual Energy	68,328,000 kWh
Participation in the VII Smart Energy Commitment	Yes

To receive a VII award, Company must submit a certified VII Award Application satisfying all program eligibility requirements, including but not limited to, execution of a standard firm power contract and Company's demonstrated financial viability. The VII award would be recalculated at that time based upon the most current program guidelines and the up-to-date Company information and projections in the Award Application. Any changes in the information and projections summarized above will result in a potential VII award different from that set forth above. A VII award would be subject to adjustment during the term of the award depending on Company's performance and revised projections, if any. New VII contracts are always subject to the availability of budgeted funds.



October 18, 2010

Mr. Kingsley Brock
Tennessee Economic Development
312 Rosa L. Parks Avenue, 11th Floor
Nashville, TN 37243

Dear Mr. Brock,

We are please to respond to the request for incentives for Project Journey. I have spoken with our Mayor and he excited about the possibility of bringing this important project to Pidgeon Industrial Park in Memphis. In response, our community is willing to make 800 acres of land, adjacent to Intermodal Gateway Memphis, a joint rail intermodal facility jointly operated by the CN and CSX railroads. This prime location has all the utility capacity near or on site with access to rail, river and interstate. The value of this site is estimated at approximately \$16,000,000.

In addition, our community would offer a 15 reduction in property taxes that reduces our county personal and real property taxes by 75% and your city personal and real property taxes by 90%. The final value of this incentive will be determined by the value of real and personal property taxes installed in the community.

Our community will work with the state department of Economic and Community Development, the city of Memphis and Memphis Light, Gas and Water to ensure that all utilities are available to Project Journey at no cost.

Please communicate to Project Journey representatives how much we appreciate the opportunity to submit Memphis for consideration for this important project.

Sincerely,

A handwritten signature in blue ink that reads 'Mark Herbison'. The signature is fluid and cursive, with the first name 'Mark' being more prominent than the last name 'Herbison'.

Mark Herbison